
Management Audit: Division of Design & Construction

*Prepared for the Committee on Legislative Research
by the Oversight Division*

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THE COMMITTEE ON LEGISLATIVE RESEARCH, Oversight Division, is the audit agency of the Missouri General Assembly as established in Chapter 23 of the Revised Statutes of Missouri. The programs and activities of the State of Missouri cost approximately \$13 billion annually. Each year the General Assembly enacts laws which add to, delete or change these programs. To meet the demands for more responsive and cost effective state government, legislators need to receive information regarding the status of the programs which they have created and the expenditure of funds which they have authorized. The audit work of the Oversight Division provides the General Assembly with a means to evaluate state agencies and state programs.

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Members of the General Assembly:

As authorized by Chapter 23, RSMo, the Committee on Legislative Research adopted a resolution in June, 1995 directing the Oversight Division to perform a management audit of the Office of Administration, Division of Design and Construction. The audit included the examination of records and procedures in the Division to determine and evaluate management performance and compliance with state statutes, regulations and legislative intent.

The accompanying report includes Oversight's comments on internal controls, compliance with legal requirements, management practices, program performance and related areas. We hope this information is helpful and can be used in a constructive manner for the betterment of the state program to which it relates.

Respectfully,

A handwritten signature in cursive script that reads "Donald Prost".

Representative Donald Prost, Chairman

MANAGEMENT AUDIT OF THE DIVISION OF DESIGN AND CONSTRUCTION

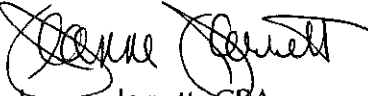
Summary of Oversight Division's Findings

The Division of Design and Construction is responsible for state construction projects. D & C develops and reviews plans and specifications for state construction, selects consulting architects and engineers, conducts in-house design, bids and contracts for construction work, manages construction projects, oversees the expenditures of capital improvement appropriations, provides guidelines, information, and recommendations for capital improvements, and provides technical assistance to state agencies. With an annual operating budget of over \$3 million in fiscal year 1995, the agency was responsible for the management of over \$406 million in state capital improvement projects which was accomplished with approximately 100 full time employees. Our audit focused on the contracting for architectural and engineering services.

Is the selection process of architects and engineers equitable and does it ensure the state will receive services that are proficient and economical? The Division should modify the selection process for professional design services to make it more competitive and should seek legislation to solidify such a process. Oversight believes that cost should be a factor in the selection and that a competitive bid process could lower the cost of design services to the state. Additionally, a firm which has a current contract with the state receives a decrease in score during the rating process in an attempt by D & C to distribute state contracts to a greater number of firms. Oversight recommends this practice be discontinued in an attempt to procure the best services at the most economical price. The Division does not have a formal, written appeals process for the appealing of the award of a state contract. Implementation of such a procedure could provide assurance that the awarding of the state contract has been fair.

Has the Division of Design and Construction been operating effectively, efficiently and in accordance with legislative intent? The Division does not ensure that all state agencies submit long-range plans for capital improvements as statutorily required. Oversight recommends that D & C prepare and submit long-range plans for repair, construction, and rehabilitation of all state properties as required by law. Oversight also suggests the plans should set forth the priorities and needs of the state as a whole while including available financing to carry out the plans. Additionally, the Division does not verify that architectural and engineering firms and contractors are properly licensed and registered with the appropriate state agencies nor do they have procedures for the removal of a firm from their computerized database from which firms are selected.

The following report contains recommendations for changes to management practices and procedures. Legislative changes have also been suggested. The Office of Administration, Division of Design and Construction's official responses are incorporated into the report. Our audit was performed in accordance with generally accepted government auditing standards as they relate to performance audits. We did not examine departmental financial statements and do not express an opinion on them.



Jeanne Jarrett, CPA
Director

Introduction

The Joint Committee on Legislative Research directed the Oversight Division to conduct a management audit of the Office of Administration, Division of Design and Construction. With an annual operating budget of over \$3 million in fiscal year 1995 for the management of over \$406 million in state capital improvement projects, the division oversees a program for the maintenance and repair and the new construction of state facilities. This audit informs the General Assembly of whether state resources are being used efficiently and effectively, administered as authorized or required by law, and conforms with legislative intent.

Background

The Office of Administration is the state's service and administrative control agency. Created by the General Assembly on January 15, 1973, it combines and coordinates the central management functions of state government. Its responsibilities were clarified and amended by the Omnibus State Reorganization Act of 1974.

The chief administrative officer is the Commissioner of Administration who is appointed by the Governor with the advice and consent of the Senate. The Commissioner appoints a deputy commissioner and the directors of the eight divisions who are responsible to him through the deputy commissioner. The Division of Design and Construction is one of the divisions.

The Division of Design and Construction (D&C) is responsible for state construction projects. D&C develops and reviews plans and specifications for state construction, selects consulting architects and engineers, conducts in-house design, bids and contracts for construction work, manages construction projects, oversees the expenditures of capital improvement appropriations, provides guidelines, information, and recommendations for capital improvements, and provides technical assistance to state agencies.

Responsibility for state leasing and facilities management was transferred from D&C to a new Division of Facilities Management. This transfer was

accomplished by Executive Order 94-07, dated January 28, 1994. The leasing and facilities management performed by D&C prior to the transfer was not reviewed as part of this audit.

As of May 1, 1995, D&C had one hundred (100) full-time employees and two part-time employees.

Objectives

The primary focus of the audit was to inform the General Assembly of whether D&C is meeting program objectives, responsibilities, and duties as set forth by statute or regulation. Specifically, Oversight staff concentrated efforts on three objectives:

To determine if consulting architects and engineers are selected prudently and unbiased for all types of projects.

To determine how D&C manages construction projects and oversees the expenditure of capital improvement appropriation.

To determine and review guidelines, information, and recommendations for capital improvements provided by D&C to state agencies. In addition, to determine what technical assistance is being given to state agencies.

Scope

The scope of the audit concentrated on the operations of the division for the time period of July 1, 1992 through June 30, 1995. The main areas considered in the audit were the selection process of architects and engineers, management and oversight of construction projects, and the relationship between the division and other state agencies.

Methodology

The Oversight Division conducted the audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States as those standards relate to performance audits. The methodology used by the Oversight Division included tests of samples of transactions and evaluations of management controls to the extent necessary to fulfill our audit objectives. A primary method used to measure objectives was conducting personal interviews with agency personnel. Additionally, the auditors performed on-site testing of controls and procedures. Agencies also provided documentation as requested. Another method utilized was direct observation during the architect/engineer review process. Finally, a survey method was utilized to assist in the analysis of the effectiveness of the architect/engineer selection process and the construction project bidding process. Surveys were sent to approximately six percent (6%) of architectural/engineering firms registered in the State of Missouri and eleven percent (11%) of the construction firms that were awarded construction contracts during the audit period.

Findings

Recommendations

Agency Responses

FINDING #1:	The Division of Design and Construction does not ensure that all state agencies submit long-range plans for capital improvements.
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Section 37.010 (6), RSMo 1994, requires the Division of Design and Construction (D&C) to annually submit to the Governor and legislature a five-year long-range plan for the repair, construction, and rehabilitation of all state properties. The D&C uses the budget Form 13 to prepare the five-year long-range plan. Form 13 is submitted by the agencies along with the capital improvement budget requests that detail the agencies' long-range plan of

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capital improvement projects for the next five years. The long-range plan submitted by D&C to the Governor and legislature is generally a compilation of the Form 13s.

Our review of the long-range planning process for fiscal years 1993, 1994, and 1995 disclosed the following areas in need of improvement:

A. D&C did not submit a five-year long-range plan to the Governor and legislature for fiscal years 1994 and 1995 as required by statute. D&C staff indicated they did not have time to complete the long-range plan due to the flood of the summer of 1993. However, D&C has submitted a fiscal year 1996 long-range plan to the Governor and legislature.

B. In reviewing the agencies' Form 13s, we noted that not all agencies had submitted their Form 13s to D&C. After being contacted by D&C, the Department of Labor and Industrial Relations submitted their Form 13 for fiscal year 1994. In addition, the Department of Highways and Transportation, Department of Natural Resources, and Department of Social Services have not submitted their Form 13 for fiscal year 1995 after being contacted by D&C. To be effective, D&C's long-range plan must consider all agencies' long-range plans. Therefore, D&C must obtain a Form 13 from all agencies.

D&C staff indicated they do not have time to properly follow-up on missing Form 13s or to review these forms for reasonableness because they spend most of their time reviewing the current year requests. It is reasonable for D&C to give current year requests a higher priority than the long-range plan. However, it appears D&C should develop internal procedures to ensure that the long-range plan be submitted and that all agencies submit a Form 13 as required.

The long-range plan for repair, construction, and rehabilitation cannot serve as an effective planning tool unless the plan includes reasonable estimates of utilization of real estate, buildings, and facilities of state government. The plan should set forth the priorities and needs of the state as a whole while including available financing to carry out the plan.

RECOMMENDATION TO FINDING #1

Oversight recommends the D&C prepare and submit a five-year long-range plan for repair, construction, and rehabilitation of all state properties as required by Section 37.010 (6), RSMo 1994 to the Governor and legislature. In addition, D&C should ensure that a Form 13 is received from each agency.

RESPONSE FROM DESIGN & CONSTRUCTION

The findings note that a long-range plan was submitted for FY96. It is our intent that these will continue to be submitted in the future.

We agree the long-range plan can only be an effective planning tool when reasonable estimates of utilization of state facilities, the priorities and needs of the state as a whole, and a plan for financing to implement the plan are taken into account in funding decisions. We annually obtain Inventory and utilization data in the Land and Buildings System (LABS) and submit that to the staff of the Joint Committee on Capital Improvements.

We will endeavor to improve the latter two components – priorities/needs and financing require coordination with, and the assistance of, the Division of Budget and Planning, the Governor's Office and the General Assembly.

FINDING #2:	The Division of Design and Construction does not verify that architectural and engineering firms and contractors are properly licensed and registered with the appropriate state agencies.
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The Division of Design and Construction (D&C) does not have a procedure to verify that architectural and engineering firms that are awarded state contracts are properly licensed or registered and in good standing with the Missouri State Board of Architects, Engineers, and Land Surveyors and the Missouri Secretary of State's (SOS) office. We reviewed all 137 architectural and engineering firms that were awarded a state contract during our audit period to verify that the firm was properly licensed or registered and in good standing with the state board. Our review indicated that 9 of the firms

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awarded a state contract (total of 17 contracts for \$473,149) were not licensed or in good standing with the state board. D&C indicated that they assume that if a firm uses its seal on the plans submitted to D&C the firm is properly licensed or registered and in good standing with the state board. In addition, our review indicated that D&C does not have policies and procedures in place which ensure that all contractors, engineers, and architects have complied with Missouri transient employer laws and regulations relating to payment of Missouri withholding tax, unemployment tax and adequate workers compensation insurance in compliance with Section 285.234, RSMo 1994. This is especially important on projects where out-of-state firms participate with Missouri firms on a team-build project. No exceptions were noted in our tests.

RECOMMENDATION TO FINDING #2

Oversight recommends that the Division of Design and Construction verify and document that all architectural and engineering firms and contractors are properly licensed and registered with the appropriate state agencies. In addition, D&C implement a policy and procedures to ensure that architect and engineering firms and contractors are in compliance with Section 285.234, RSMo 1994.

RESPONSE FROM DESIGN & CONSTRUCTION

The wording of this finding seems to give the impression that the Division is doing business with firms, unknown to or in disfavor with, the professional licensing board. At the time of the audit, the problem with the 9 firms indicated as not in "good standing" was that the corporation had failed to comply with Section 327.401(2) RSMo. This section requires any corporation that has as one of its purposes the practice of architecture or engineering, to file for a "Certificate of Authority". This provision is intended to assure that there is a registered professional employed by the corporation who is in responsible charge of the professional practice.

The law in Missouri requires that only an individual may practice architecture or engineering and each project requires the seal of that particular individual. Each year the board sends "certificate of authority" renewal notices to these firms in December and by March 1 they are to submit the required fee. In the cases indicated, we understand that 7 had

failed to file on time and 2 firms had name changes and had filed under their new names. There were no indications that their registrations or actual licenses were not otherwise in good standing. In fact, it is rare that a "license" or "certificate of authority" is actually revoked. We believe it would be a good practice to verify compliance with the licensing issues at the time a contract is awarded. We will work with the State Board of APE&LS to develop such a procedure.

Regarding the issue of "transient employer laws" per Section 285.234, RSMo 1994, we will provide some language in the general conditions of the contract to make the A/E firms and contractors aware of this provision of the law

FINDING #3: The Division of Design and Construction does not effectively encourage architectural and engineering firms to submit a statement of qualifications and performance data on an annual basis.
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Section 8.289, RSMo 1994, requires that the Division of Design and Construction (D&C) shall encourage architectural and engineering firms to annually submit a statement of qualifications and performance data to D&C. The statement of qualifications and performance data is submitted on a Form 254. Currently, D&C maintains a database of approximately 450 architectural and engineering firms from which firms are chosen for state projects or interviewed for state projects. They are contacted annually with a letter from D&C requesting that the firm complete or update their Form 254 that is on file. D&C stated that the response to these letters is very low. We obtained a listing of firms licensed to do business in the state from the Missouri State Board of Architects, Engineers, and Land Surveyors (Board) and determined there were approximately 1,014 firms licensed to do business in the state. We randomly selected sixty-one firms from the Board's listing to survey to determine if they were enrolled with D&C and if not, were they interested in enrolling. Of the nineteen surveys returned by firms not enrolled with D&C, sixteen percent indicated that their firms were interested in enrolling with D&C. These results indicate that there may potentially be a significant number of architectural and engineering firms that would be interested in performing state contracts but are not included in the

database for selection. Under current D&C procedures these firms would have no opportunity for selection.

RECOMMENDATION TO FINDING #3

Oversight recommends that the Division of Design and Construction develop a more effective procedure of encouraging architectural and engineering firms to submit statements of qualifications and performance data. Some possible procedures are advertising in professional trade journals, establishing by rule or statutory change a deadline for the submission of the Form 254, or an annual mass mailing to all firms that are registered with the Board of Architects, Engineers, and Land Surveyors encouraging those firms wanting to receive state projects to register with D&C.

RESPONSE FROM DESIGN & CONSTRUCTION

We disagree that the survey indicates "that there may be a significant number of architectural and engineering firms interested in enrolling with D&C". Review of the surveys shows that only 3 firms indicated an "interest in enrolling".

Many things are done directly and indirectly to encourage firms to submit data to the Division of Design and Construction. Among these are the following:

- The Division annually contacts the firms on its database to ask for updated information.*
- The Director and others in the Division speak to many organizations regarding the business opportunities available to Architects and Engineers. These organizations include the American Institute of Architects/Missouri Chapter, The Consulting Engineers Council of Missouri, and the Society of Marketing Professional Services.*
- All projects over \$5 million are advertised for A/E services. The advertisement is included in the St. Louis, Kansas City and Springfield newspapers with combined circulation of over one million.*

With these methods of encouragement already in place, with the fact that there is wide publicity in the design community and public at large about the projects we manage, and knowing that all firms that provide professional design services should be in the business of marketing their services, we feel that we are effectively encouraging new firms to the extent reasonable. We believe it would not be an efficient use of additional resources to annually poll all those who are registered in this state to find out that they are not on our list, and if they wish to be enrolled

with the Division of Design and Construction.

FINDING #4:	The Division of Design and Construction's Project Accounting Management System computer files, the Architects, Contractors, and Engineers database computer files, and individual project files have information that does not always agree to each other.
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During our review of individual project file documentation Oversight became aware of differences between the documentation in individual project files and what is shown on the Project Accounting Management System (PAMS) and the Architects, Contractors, and Engineers (ACE) database computer files. Examples of the differences noted were architect/engineering firms names not agreeing between project files and PAMS/ACE computer files , contract amounts not agreeing between project files and PAMS computer files, and where appropriate, updated project information is not always entered into the PAMS/ACE computer files. If the Division of Design and Construction (D&C) is to rely on the computer files to make management decisions they must contain up to date and accurate information.

RECOMMENDATION TO FINDING #4

Oversight recommends that the Division of Design and Construction compare the documentation in the individual project files to the computer files to ensure that up to date and accurate information is on the systems.

RESPONSE FROM DESIGN & CONSTRUCTION

We agree that these two types of files should agree when the same information is contained in both locations and we will endeavor to coordinate these records.

FINDING #5:	The Division of Design and Construction does not have written procedures for the removal of an architectural, contractual, or engineering firm from Design and Construction's computerized database of architects, contractors, and engineers.
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The Division of Design and Construction (D&C) does not have any formal written procedures for the removal or exclusion of an architectural or engineering firm from the computerized database of architects, contractors, and engineers (ACE) from which firms are chosen for state projects or interviewed for state projects. Currently, the only way an architectural or engineering firm may be removed from the ACE is by the firm requesting removal or if D&C management removes the firm. D&C does not maintain a list of firms removed from the ACE. D&C provided Oversight with an internal list of five firms removed from the ACE database; however, Oversight determined that three of the five firms were still listed on the ACE database. This allows these three firms to potentially be chosen for state projects or interviewed for state projects even though the firms are ineligible to receive state projects.

RECOMMENDATION TO FINDING #5

Oversight recommends that the Division of Design and Construction establish written procedures for the removal of an architectural, contractual, or engineering firm from the computerized ACE database. These written procedures should include an annual review of ineligible firms, documentation of the reasons for removal, and verifying that the ineligible firms did not receive a state project.

RESPONSE FROM DESIGN & CONSTRUCTION

The division does have such a procedure. Firms that are debarred from work with the Division of Design and Construction are listed in a special table on ACE. Although database information is retained, the firms are prevented from being chosen by any of the procedures of selection.

Also, the Division of Design and Construction has implemented a new and expanded procedure for A/E evaluations as of July 1, 1994. This evaluation was implemented on new projects beginning at that time.

As these projects are completed and the evaluation information is completed, we will develop the final part of the procedure to insert this information into the selection process through the ACE database.

FINDING #6:	The Division of Design and Construction should modify the selection process for professional design services to make it more competitive.
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Architectural and engineering firms providing professional design services to the State are presently selected in accordance with Section 8.285, RSMo 1994. This section provides that the policy of the State and political subdivisions of the State shall be to negotiate contracts with firms for design services on the basis of demonstrated competence and qualifications for the services required and at fair and reasonable prices. Section 8.289, RSMo 1994, further states that the Division of Design and Construction (D&C) shall evaluate statements of qualifications and performance data of firms on file together with those that may be submitted by other firms regarding a proposed project. In evaluating the qualifications of each firm D&C shall consider:

1. The specialized experience and technical competence of the firm with respect to the type of services required.
2. The capacity and capability of the firm to perform the work in question, including specialized services, within the time limitations fixed for the completion of the project.
3. The past record of performance of the firm with respect to such factors as control of costs, quality of work, and ability to meet schedules.

4. The firm's proximity to and familiarity with the area in which the project is located.

After all evaluation information has been determined, D&C opens contract price negotiations with the top rated firm. If D&C is unable to arrive at a fair and reasonable contract price, negotiations are terminated and new negotiations are undertaken with the next highest rated firm. While statutes are silent on the use of price as a selection factor that silence does not prohibit price from being used by D&C. Current D&C procedures follow the provisions of the law, but do not require firms to submit price proposals prior to selection.

Oversight believes D&C may be able to lower the cost of design services by not just negotiating with the top rated firm but by including a bidding process with the top three to six firms. As part of the initial bidding process D&C in conjunction with the three to six firms would develop a common scope of work. After a common scope of work has been developed, D&C would request that the three to six firms submit cost proposals for design services. The effect of a bidding process with multiple firms could lower the cost of design services to the state by including a competitive factor.

The rating system described in detail above includes a factor which decreases a firm's score if it is currently performing services for the state. It is unclear why a rating system intended to determine the most qualified firm would decrease a firm's score based on the firm currently performing services for the state. The effect of this negative factor is to attempt to distribute the design services to a greater number of firms. This could actually result in an increase in the cost of design work to the state.

RECOMMENDATION TO FINDING #6

Oversight recommends that D&C change the rating process to eliminate the decrease in points for firms currently doing work for the state. In addition, D&C should implement a bidding process that uses costs as a consideration of the top three to six rated firms. Finally, Oversight recommends that a statutory change may need to be considered that would require a competitive bid process for professional design services.

RESPONSE FROM DESIGN & CONSTRUCTION

The statutes are NOT silent on the issue of price as a selection criteria. It is strictly prohibited by Section 8.289, RSMo 1994.

The Division of Design and Construction DOES require that the selected firm submit a price proposal prior to awarding a contract. If it is not acceptable and further negotiations fail to be satisfactory to the State, a contract is not signed and negotiations with the second rated firm are commenced in accordance with the procedure set forth in Section 8.291, RSMo 1994.

We don't agree that a reduction in cost of design services would be the result unless large number of projects are contracted in the same firm at the same time in the same geographical area.

Regarding the rating system and the selection criteria, the process does include that decreases the score for firms that are under contract with the Division of Design and Construction in the design phase of the contract. WE consider this a "capacity of the firm" issue since we believe that firms generally cannot give the highest level of service on multiple projects at the same time with the same client. Additionally we believe it is good public policy to include as many qualified firms as possible in the Capital Improvement Program.

FINDING #7:	The Division of Design and Construction did not have documentation of pre-proposal meetings with architects/engineers or pre-bid meetings with contractors as specified by the Division's Capital Improvement Policies and Procedures Manual.
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The Division of Design and Construction's (D&C) Capital Improvement Policies and Procedures Manual states that for both architects/engineers pre-proposal meetings and the contractors pre-bid meetings minutes of the meeting be prepared by D&C staff and distributed to attendees, D&C staff,

state agency representatives as needed, and the project file. However, during Oversight's review of documentation in project files it was found that in seven out of ten architect/engineer project files and seventeen of twenty-five contractors' project files there were no minutes of the pre-proposal or pre-bid meeting. In addition, of the eight contractors' project files that were found to have minutes of the pre-bid meeting, Oversight noted a lack of uniformity in format and content. Following its own established procedures would allow D&C to prevent any loss of pertinent information on a project and avoid any potential legal issues that may arise.

RECOMMENDATION TO FINDING #7

Oversight recommends that D&C adhere to its own procedures as prescribed in the Capital Improvement Policies and Procedures Manual.

RESPONSE FROM DESIGN & CONSTRUCTION

We reviewed the files indicated by the auditor and found that the information was sometime contained in other sections of the project files, however, we did find that they were lacking a consistent formation and file location. We will develop a standard format for these meetings and will establish a procedure to require that these minutes of the meetings be include in a designated place in the project file.

FINDING #8:	The Division of Design and Construction does not have a formal, written appeals process for the appealing of the award of a state contract.
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The appeals process for contractors who are not satisfied with the results of the formal bidding procedures within the Division of Design and Construction (D&C) is not formalized in writing. However, D&C has an informal, unwritten appeals process for those contractors. The first informal step is for D&C to explain why the contractor was not awarded the state contract, i.e. improper paperwork, mathematical errors, apparent lack of good faith, etc. If the contractor is not satisfied with the explanation, an

appeal may be made to the director of D&C. If the contractor is still not satisfied the last course of action is through the legal system as there is no further appeals to be made. During the audit period, approximately 316 construction firms received contracts totaling approximately \$98 million. Given the volume of contracts and funding involved, the possibility of a dissatisfied contractor could be high.

For architects/engineers who are not satisfied with the awarding of a state contract there is not an informal or formal appeals process. D&C states that the subjectivity of the bidding process does not lend itself to an appeals process. However, having a formal appeals process could provide assurance that the awarding of the state contract has been fair.

Oversight inquired with the Office of Administration (OA), Division of Purchasing (Purchasing) on what type of formal appeals process was in use by the State of Missouri. Purchasing indicated that they have no formal, written procedures but do have an internal policy. The internal policy allows a dissatisfied bidder to appeal in writing the award of a state contract to the assistant director of Purchasing but there is no further appeals process steps. Purchasing further indicated that they plan to establish a formal appeals process and propose a state regulation.

RECOMMENDATION TO FINDING #8

Oversight recommends that the Division of Design and Construction develop a formal, written appeals process. This process should be developed in cooperation with the Office of Administration, Division of Purchasing to provide a comprehensive and consistent policy.

RESPONSE FROM DESIGN & CONSTRUCTION

The purpose of have a formal appeal process is to have an avenue for bidders to challenge the process of award of government contracts. Case law in the state of Missouri provides that the purpose of the bidden process in to guarantee the best price to the taxpayers and to protect against fraud and collusion, see State ex rel. John v. Sevier, 339 Mo. 483, 98 S.W.2d (Mo. Banc 1936).. Courts in the State of Missouri have refused to grant a right to disgruntled bidder to challenge the decision of a public official invested with

D&C is currently attempting to use a new process in the awarding of state contracts for professional design services. This new process combines the selection process of architect/engineering firms and the bidding process of contractors. The process is called design/build. D&C has recently procured design/build services for the Western Missouri Correctional Center expansion at Cameron. The design/build process allows architect/engineering firms and contractors to combine their resources together to maximize the design/build process and would allow the state to obtain a more competitive price for the project. D&C is using this process on a very limited basis with large projects but it appears this process would be of benefit to the State on projects costing at least \$250,000 or more. Projects costing less than \$250,000 would be handled in-house by D&C.

RECOMMENDATION TO FINDING #10

Oversight recommends that D&C strive to expand the design/build process that includes the combining of architect/engineering firms and contractors for the awarding of state contracts in excess of \$250,000 on an optional basis.

RESPONSE FROM DESIGN & CONSTRUCTION

This finding raises the issue of increasing the use of the Design/Build delivery method for projects managed by the Division of Design and Construction. Although a lengthy discussion regarding the pros and cons of the Design/Build delivery method is not possible in this response, the following are responses to key issues stated:

•It is not necessarily true that "a more competitive price for the project" is a result of Design/Build process. The primary reason for its use is to save time. A review of the Cameron project does not definitively lead one to conclude that a better price was received than would have been received under the traditional Design/Bid/Build process. From the information we have received, other public agencies around the country have had mixed results in determining whether this method leads to a reduced price for the same quality of product.

- *The process would not likely be beneficial on projects as small as \$250,000. In fact, the criteria for selection of this method should not be based solely on establishing a "minimum" value. For example, some of the criteria that should be considered are as follows:*
- *The project should not involve significant renovation work or work that requires extensive coordination with existing facilities or systems.*
- *The project should be well defined. A project that has not been well programmed by the agency is extremely risky with this method because the award of the construction contract occurs prior to final design. The State must be comfortable with the ability to anticipate the end result prior to issuance of the RFP.*
- *The project should be of sufficient size to allow those contractors and consultants who have experience in this method to devote the resources necessary to compete. Although some stipend is usually paid to the losing teams, it in no way covers the entire cost of the proposal.*
- *We believe that Design/Build is suitable for public agencies only when the right type of project is chosen. So far, the Cameron example has been successful in achieving the primary goal, which was to deliver the project to the Department of Corrections in 18 months. During the RFP and selection process however, we discovered several issues that may be a problem for future procurements using the Design/Build method. We believe it would be helpful for these issues to be addressed through legislation to minimize potential procurement problems.*

